



**Director of
Central
Intelligence**

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National Intelligence Daily

**Monday
9 November 1987**



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PERSIAN GULF:

Situation Report

Military Activity

Iran retaliated against recent Iraqi attacks by hitting Baghdad with a Scud missile launched from the Kermanshah region yesterday, according to [redacted] press. Iran claimed it shelled Al Basrah, Umm Qasr, and Al Qurnah areas along the southern front for 24 hours between Saturday and yesterday. Tehran also claimed its aircraft struck petroleum targets north of Karkuk yesterday. [redacted]

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Comment: Iran will continue to retaliate against Iraqi attacks in the Persian Gulf. Tehran is willing to risk another "war of the cities" with Baghdad to demonstrate that the war will continue and that it will be costly for the Iraqis. [redacted]

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TUNISIA:**New Government Assumes Control**

The constitutionally orchestrated takeover of the government by Zine el Abidine Ben Ali has had favorable response domestically and internationally, and Tunisia remains calm. [redacted]

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President Ben Ali has named a cabinet, many of whom were in the previous administration, including Hedi Baccouche as Prime Minister and Ahmed Mestiri as Foreign Minister. In addition, the President promoted several senior military leaders and made an Army general the Minister of Interior. [redacted]

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changes were taken to ensure a smooth transition of power. [redacted]

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Domestically, Ben Ali has suggested to the media that he will liberalize the political system and the press. Labor and opposition parties have reacted positively to these moves. The press also reports the government is postponing further trials of Islamic fundamentalists.

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The US Embassy in Tunis says former President Bourguiba will be treated with respect and allowed to choose his preferred residence within Tunisia. Ben Ali has placed under house arrest some ministers he viewed as potential threats. [redacted]

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International reaction has been supportive of Ben Ali's action. France and Algeria in particular were quick to endorse the new government. Libyan leader Qadhafi also praised Ben Ali, [redacted]

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Comment: Ben Ali appears to have the situation under control as he consolidates power. Most Tunisians probably breathed a sigh of relief that the transition was smooth. Bourguiba or his supporters are not likely to mount a successful challenge, given Ben Ali's support from the Army. Ben Ali will continue Bourguiba's policy of promoting strong ties to the US and the West and will curtail Libyan meddling in Tunisia's internal affairs. [redacted]

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NICARAGUA:**Steps Toward Dialogue**

Managua is pushing ahead with its recent offer to open indirect cease-fire talks with the insurgents. [redacted]

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Cardinal Obando y Bravo, head of the Nicaraguan Catholic Church and a sharp critic of the regime, has agreed to President Ortega's request to serve as an intermediary between the Sandinistas and the rebels, according to US Embassy officials. Obando wants to delay for several days a formal announcement of his acceptance in order to consult with his fellow bishops. He has, however, publicly stated that he wants to avoid extended talks. [redacted]

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Mechanisms for the talks need to be worked out, according to Embassy officials. The Cardinal anticipates that his first task will be to travel to the US to deliver the Sandinistas' offer to rebel leaders.

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Obando, characterizing the call for cease-fire talks as a positive step, is doubtful the negotiations will expand into a broad political dialogue. According to Embassy reporting, he believes that the Sandinistas will not share power and that internal opposition groups are too weak and divided to force them to abandon this stance. The Cardinal said that, if the Sandinistas did not have to share political power, the Catholic Church would have to consider an accommodation with the regime.

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According to press reports, the insurgent directorate welcomes Obando's selection as intermediary. [redacted]

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Comment: Nicaraguan bishops probably will pose few obstacles to Obando's acceptance of Ortega's offer. The Cardinal's concern with the prospects for Sandinista consolidation of power and the weakness of the internal opposition as well as pressure from other bishops—some apparently favor seeking an accommodation with the regime—are likely to limit his role to that of a facilitator. He also may fear that adoption of strong proinsurgent positions in the talks may lead to harassment of laymen and local priests. [redacted]

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The Sandinistas' selection of Obando is probably intended to build on the positive international reaction to their recent efforts to comply with the Central American peace plan. They also may calculate that the Cardinal's acceptance will restrict his ability to criticize the regime and limit his role in the National Reconciliation Commission.

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Brazil: Official Consumer Inflation^a*Percent*

2,000

1,750

1,500

1,250

1,000

750

500

250

0 Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov^b Dec^b
1986 1987

^a Monthly at annual rates.^b Projected.

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BRAZIL:**Economic Program in Trouble**

Large wage increases, price decontrol, and loose monetary and fiscal policies spell the end of Finance Minister Bresser's five-month-old economic stabilization plan, threatening his position and adding to President Sarney's political troubles.

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Recent real wage increases for public-sector employees—granted following strikes or strike threats—averaged 30 percent, according to the US Embassy, well in excess of the guidelines set out by Bresser in June. This average is now the yardstick for private-sector demands, and workers in nearly half the industrial sector are set to renegotiate contracts in the next few months.

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In response to the wage increases, companies are seeking relief from the price controls established as part of Bresser's plan. Brasilia has freed prices on thousands of products and services in recent weeks, according to the Embassy, and has authorized increases of 10 percent or more on products still controlled. At the same time, the government has loosened monetary policy, extending the payback periods for consumer credit and granting subsidized credits to troubled state companies, while failing to carry out promises made in the Bresser Plan to pare government spending.

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Comment: The wage hikes reflect in part Brasilia's attempt to avoid a recession induced by flagging consumer demand. Before the recent salary increases, real wages had dropped 50 percent this year, causing retail sales and industrial production to plummet. The Sarney government is also increasingly concerned about the recent growth in strikes, as well as by disgruntlement in the military, where restiveness among junior officers over low pay prompted a pay raise.

Inflation is likely to rise at least 12 percent this month and probably more next month, finishing the year at a record 360 percent. Spiraling prices will cause more problems for Sarney and probably will help fuel pressures now building for a presidential election next year. He may respond with yet another price freeze.

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Bresser, whose genuine efforts to hold the line on wages and to cut government spending have been undermined by Sarney and other Cabinet members, may resign in the near future. His departure probably would not result in an immediate change in policy, but a new economic team—including new debt negotiators—would impede progress in current debt talks. In any event, rising inflation will compound bankers' doubts about Brasilia's economic management, reducing their willingness to put up new money without a formal IMF-monitoring program.

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HONDURAS:**Rethinking Peace Plan Strategy**

Managua's announcement that it will negotiate with the anti-Sandinista insurgents undermines one of Tegucigalpa's main arguments for not fully implementing the Central American peace plan and will add pressure on Honduras to end all support to the rebels. [redacted]

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Prior to President Ortega's speech, Honduras maintained it would not permit verification teams to inspect in Honduras until Nicaragua showed progress on the amnesty and cease-fire provisions of the peace plan. [redacted]

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[redacted] also is reassessing its support of US regional policy because of what it perceives as Sandinista propaganda victories associated with the peace plan and US difficulties in obtaining military aid for the insurgents. [redacted]

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Meanwhile, press reports about a US Congressional proposal to slash bilateral economic and military aid has evoked anger and disbelief among key Honduran leaders, according to the US Embassy. Earlier this week, President Azcona announced that the US firmly supported Honduras and that aid levels would be maintained. A former President has expressed concern to US officials that Azcona and Armed Forces Chief Regalado could become politically isolated and vulnerable to maneuverings by their political opponents because of their past support for US policy. [redacted]

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Comment: Ortega's speech and growing doubts about the US commitment increase the likelihood that Tegucigalpa will issue a letter asking foreign powers to cease aiding the insurgents and accept inspections by the International Verification Commission. Anticipating close scrutiny by verification teams, Tegucigalpa probably will eventually feel compelled to prohibit all insurgent resupply activities from its territory, not just Aguacate. A shutdown of aerial resupply from both Aguacate and Swan Island would deeply cut the rebels' ability to sustain fighting in Nicaragua at present levels. [redacted]

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News of the proposed Congressional aid cut will probably increase domestic criticism of the government and undermine the credibility of both Azcona and Regalado. Azcona's stubbornness is renowned, and he may continue backing US policy in Nicaragua to appease Washington, but political isolation is a risk. Regalado, on the other hand, will probably become less cooperative toward the US to placate officers who are critical of him for not protecting Honduran interests. [redacted]

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CHAD-FRANCE:**Possible Delay in Aozou Offensive**

Chad's President Habre is said to be considering delaying his offensive against Libya's stronghold at Aozou airfield until January, partly because of French and international pressure for a negotiated settlement. [redacted]

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Although Chadian preparations for an attack are complete, [redacted] Habre is reluctant to initiate hostilities before the OAU Heads of State Committee meeting in January that will consider Chadian and Libyan claims to the Aozou Strip. Both Tripoli and N'Djamena have met the OAU-imposed deadline for submitting documents supporting their claims; cartographers and legal experts from a number of African countries will meet later this month to examine the documents and prepare a report for the OAU Committee. [redacted]

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Meanwhile, [redacted] three C-130 cargo planes—the backbone of N'Djamena's limited logistic capability—were out of service last week because of maintenance problems. The third C-130 is being overhauled in France and is not expected back until January. [redacted]

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[redacted] Habre intends to launch an attack [redacted] according to the defense attache in Paris. [redacted] political considerations will prompt Habre to wait until after the OAU summit. Nonetheless, Paris continues to make contingency plans for Chad and has reportedly approved a new military assistance package that includes more antitank weapons, trucks, and armored cars. [redacted]

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Comment: Habre's apparent willingness to consider delaying the attack probably reflects his concern that further military pressure on Libya now might jeopardize valuable political support for Chad in the OAU, where N'Djamena has worked hard to portray itself as the victim of Libyan aggression. He may also believe that Chad's prospects for a successful attack will not be affected by waiting until January, by which time his forces probably will have regained their full aerial resupply capability and will have deployed promised US Stinger surface-to-air missiles. But Chadian forces might still move against the airfield sooner if Habre sees an opportunity to achieve surprise or if he believes Libyan forces are preparing a strike of their own. [redacted]

Paris will continue its pressure on Habre for a negotiated settlement to the Aozou dispute and almost certainly hopes he will postpone an offensive until after the January summit, where the French believe he can further solidify African support for Chad's position. [redacted]

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BANGLADESH: Prospects for Civil Unrest

President Ershad's shrewd mix of force and concessions should enable him to prevail over current efforts to oust him, but the military remains a long-term threat. [redacted]

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The US Embassy reports that the Awami League and the Bangladesh Nationalist Party—Ershad's main foes—are trying to engineer his removal and a transfer of power to a civilian-military government that they would dominate. According to press reports, more than 4,500 people have been arrested and four killed as Ershad's security forces crack down on the opposition alliance, which plans to form a human chain around Dhaka tomorrow. [redacted]

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Ershad's efforts to placate Nationalist Party leader Begum Khaleda Zia and Awami League chief Sheikh Hasina Wajed have been unsuccessful, according to the Embassy. He has offered to dissolve Parliament and hold a new election [redacted]

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[redacted] For now, however, the opposition has failed to find common ground with the President's rivals in the Army. [redacted]

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Comment: Ershad will probably weather this threat to his rule, but over the long term he remains vulnerable to an Army coup. His greatest strength is that neither the Army, the key player in Bangladesh politics, nor the civilian opposition can agree on a successor. The Army also fears that Ershad's removal would split the service into competing factions. [redacted]

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To appease the Army, Ershad must control the violence and preserve law and order. He probably will declare a state of emergency, allowing him to restrict assemblies in Dhaka, and may close down the country's transport network on the day of the demonstration, making travel from outlying parts of the country to Dhaka virtually impossible. [redacted]

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Should the Army remove Ershad, his most likely successor is either Noor Uddin Khan or Abdul Wahed, although there might be an interim government headed by Chief of Army Staff Maj. Gen. Mohammad Atiqur Rahman. No successor military government would be likely to offer the civilians more than token participation; any such regime almost certainly would continue Ershad's pro-West policies. [redacted]

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SURINAME: Military Activity Increasing

The US Embassy in Paramaribo reports that rebel activity has increased near the economically vital Suralco bauxite mines at Moengo, an area the regime claimed as secured as a result of its offensive last summer. Recent action near Moengo reportedly caused several Army casualties and kept workers from visiting a nearby palm oil plant to assess damage the insurgents inflicted earlier this year.

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Comment: The rebels probably hope to disrupt local and national elections, which they perceive as undermining the rationale for the insurgency. Poor leadership, insufficient manpower, and the severe shortages of arms and ammunition argue against their success. Pressure within the Army leadership to attack rebel strongholds and Head of Government Bouterse's determination to hold elections throughout the country raise the likelihood that the Army will conduct a counterinsurgency sweep before the balloting on 25 November. This probably would enable the government to achieve its immediate goal of holding elections in the three rebel-affected districts but probably cannot prevent a continuation of low-level guerrilla activity.

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NICARAGUA: Merchant Fleet in Disrepair

The poor condition of Nicaragua's merchant carriers may eventually complicate its ability to transship arms from Cuba.

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two of these ships, the Nicarao and the Atlantic Freeze, are in a severe state of disrepair, placing a heavy burden on a third, the Aracely, to meet arms transshipment requirements.

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Comment: Five Nicaraguan merchant ships have carried arms from Cuba and elsewhere. Two of the ships cannot navigate the Escondido River to the inland port of Rama, the site of most military deliveries to the east coast. The Aracely—which also is in poor condition and scheduled for repairs—continues to be used to transship Soviet arms from Cuba. Without the use of these arms carriers, Cuba may be forced to use more of its own merchant ships to transship arms to Nicaragua. Arms transshipments from Cuba to Nicaragua so far this year are ahead of last year's pace, and the problems afflicting Nicaragua's merchant fleet will not affect direct Soviet military deliveries to Nicaragua.

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HAITI: Elections on Track Despite Violence

Haiti's presidential and legislative elections remain scheduled for 29 November despite continuing sporadic violence since the disqualification of Duvalierist candidates last Monday. The electoral commission retrieved its files after its headquarters burned and moved to other offices in the capital, according to the US Embassy. A printing house that was providing election ballots was burned on Thursday, but a source of the [redacted] ballots already printed were not destroyed. [redacted]

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Comment: The intermittent nature of attacks suggests that the Duvalierists so far have not managed a coordinated effort to derail the election. Because the ruling council distrusts the electoral commission, it probably will provide only minimal protection for election facilities. The commission probably can hold the election successfully unless the level of violence rises. The killing of a leading presidential candidate or commission member, however, probably would touch off a more violent public reaction and considerably diminish chances that the election would occur on schedule. [redacted]

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SWEDEN: AIDS Altering Views on Drug Use

Swedish officials advocating the criminalization of drug use have cited the incidence of AIDS among intravenous drug users. According to the US Embassy, drug use will become a misdemeanor early next year, despite the arguments of groups opposing criminalization on the grounds that it will deter abusers from seeking treatment. The AIDS scare also has led the Minister of Health to declare AIDS Sweden's primary health problem, even though the incidence of AIDS is relatively low—143 registered cases and 1,613 who have tested HIV-positive as of last month. [redacted]

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Comment: The fear of an AIDS epidemic has provided proponents of the criminalization bill a solid foundation on which to build their argument to break with Sweden's liberal traditions regarding drug usage. Still, such legal changes are unlikely to reduce the AIDS problem, since intravenous drug users represent only a small portion of Sweden's AIDS victims. [redacted]

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In Brief**East Asia**

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- **Nepal** sending soldiers to **China** for training on small arms, antiaircraft weapons purchased earlier this year, . . . first such cooperation . . . Beijing probably trying to reduce Nepal's dependence on **India**.

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USSR

- Lineup at **Soviet** Revolution parade showed minor changes . . . KGB chief Chebrikov, critic of radical reform, moved ahead of Gorbachev ally Zaykov . . . Moscow party chief Yel'tsin, under fire for remarks at party plenum, present but not slighted.

Middle East

- alleged Abu Nidal's seizure of eight civilians with **Israeli** citizenship from boat near Gaza Strip . . . announcement may be aimed at undercutting Arab summit . . . uncharacteristic of group's operations.
- Muslim guerrillas mounted widespread attacks—second in less than a week—in security zone yesterday, one **Israeli**, two Army of South **Lebanon** soldiers killed, reports . . . claim raid marks birthday of Mohammad.

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Africa

- **South Yemeni** President signed cooperation agreement in **Djibouti**, according to US Embassy . . . relations back on track after incident in March involving South Yemeni diplomat in bombing of cafe frequented by French soldiers.

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Europe

- Drug abuse increasing among **Poles** under 25, estimated users more than 50,000 . . . causes range from declining employment, rising alcohol costs, to political alienation . . . party has established counseling centers, small rehabilitation fund.

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[Redacted]

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Reports of Physical Threats to Gorbachev

Summer 1986	Western journalists and diplomats reported rumors of assassination attempt in Far East or Krasnodar . . . Gorbachev's security intensified.
February 1987	Midlevel Soviet official at UN reported that Gorbachev had limited support in party bureaucracy and his "life may be in danger."
March/May 1987	Western journalist reported that disgruntled party officials tried to assassinate Gorbachev during February visit to Latvia . . . another version of story had Latvians trying to kill Gorbachev on May Day.
August/September 1987	Several rumors of assassination plots surfaced in West . . . West German journal, which has been used by KGB to spread disinformation in past, said Gorbachev was suffering from food poisoning . . . [Redacted]

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Special Analysis**USSR:****Persistent Rumors of Attempts on Gorbachev**

Rumors of various assassination plots against Mikhail Gorbachev, usually said to involve disgruntled officials threatened by the General Secretary's reforms, have circulated periodically in the USSR for more than a year. Whether true or not, the persistence of such rumors suggests a heightened level of political tension within the elite and may be a source of friction between Gorbachev and the KGB.

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The reports of assassination attempts do not appear to be replays of a single story. Gorbachev is said to have been poisoned in August, shot at in May, and the target of a bomb in April. Several locations have been mentioned as the scenes of alleged attempts.

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There have been common themes in the various rumors, however. A prominent one is that the perpetrators are disgruntled bureaucrats removed for corruption or fearful their jobs are not secure with Gorbachev at the helm.

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Rumor or Fact

Many of the rumors contain information known to be false. Some may have been prompted by Gorbachev's two lengthy absences from public view, when rumors of serious illness as well as assassination surfaced.

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It is plausible that Gorbachev has been or could become the target of an attack. His frequent public appearances and penchant for mingling in crowds make him more vulnerable than past Soviet leaders, and his controversial reform program has earned him the enmity of many elites. Thus both motives and opportunity are present.

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A recent move to increase the Soviet leader's security suggests there is greater concern for his safety. security measures unheard of since the Stalin era have been adopted to protect him, and Western diplomats have independently reported that his security has been strengthened.

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KGB Culpability

It is possible that individual KGB officers have been guilty of complicity in plots against Gorbachev's life.

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It is also possible that the KGB has been lax in providing protection.

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Finally, some KGB officers could be floating the assassination rumors to undermine Gorbachev politically. The KGB has resorted to such tactics in the past as a means of attacking a leader's reputation.

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Implications

The threat of assassination apparently has not changed Gorbachev's procedures. He may accept it as one of the risks that comes with the job. On two occasions since his vacation he moved freely among the public, suggesting that he will not let the threat impede his populist style.

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The threat of assassination makes Gorbachev especially dependent on the reliability and competence of the KGB, however, and may be providing an added incentive to name a new KGB chief and to continue the replacement of senior regional KGB officials begun earlier this year. The rumors of assassination attempts—and whatever basis there may be to them—are probably complicating Gorbachev's relations with Chebrikov. The KGB chief was a protege of General Secretary Andropov and has already expressed his concerns about Gorbachev's human rights and *glasnost* policies. Uncertainty about the KGB's political loyalty may explain reporting that Gorbachev plans to replace Chebrikov with a senior political ally in the Central Committee.

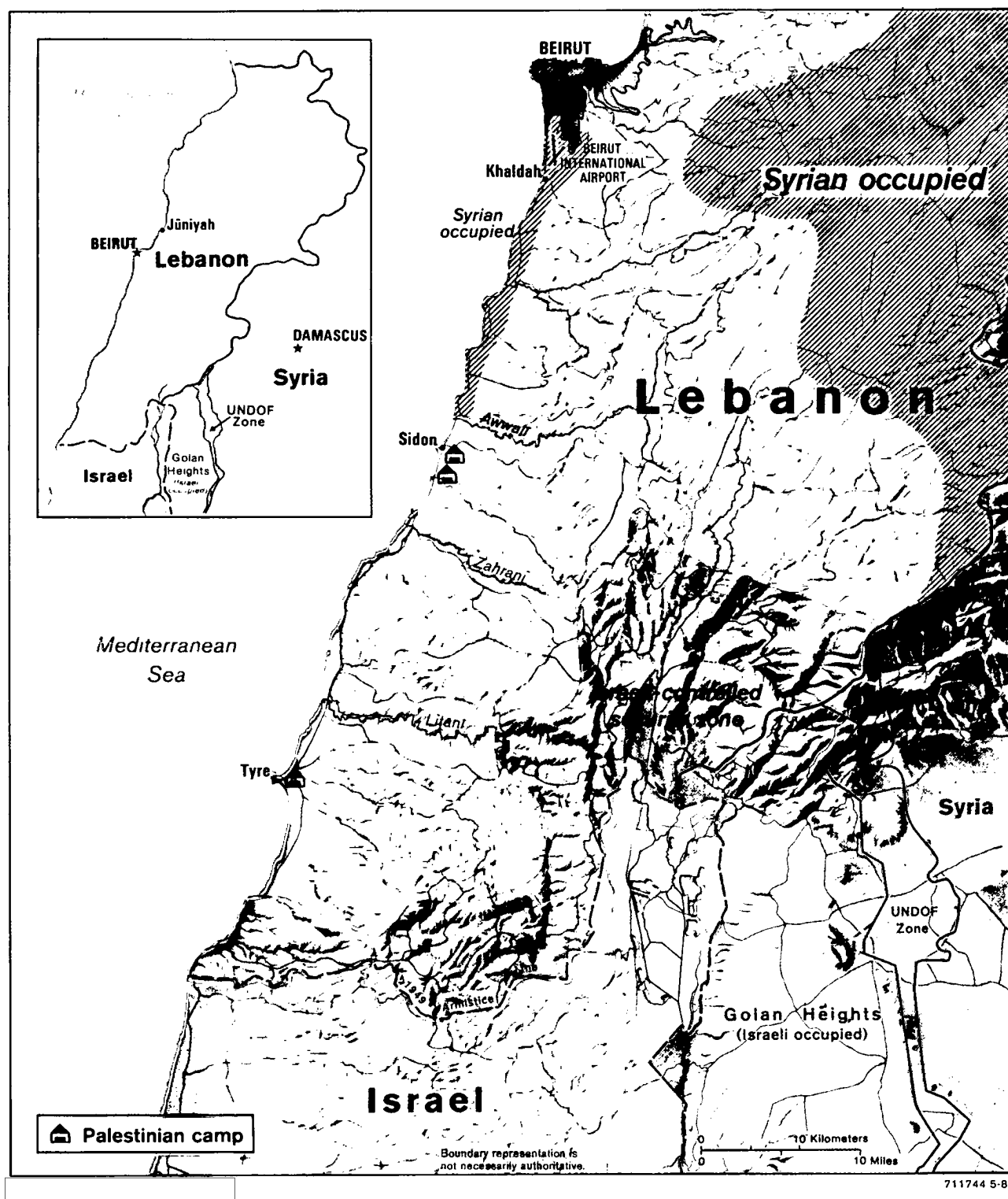
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Special Analysis**LEBANON:****Implications of Palestinian Resurrection**

A Palestinian resurgence in Lebanon is further complicating efforts to promote national reconciliation and stability in southern Lebanon. Palestinian fighters in Lebanon—who number some 10,000—have made strides in rebuilding the military, intelligence, and political support networks they had before 1982. Recent fighting between Palestinians and Lebanese groups in villages around Sidon reflects Palestinian determination to establish a base from which to attack pro-Israeli militias and Israel itself. [REDACTED]

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The Palestinians' renewed influence was demonstrated by their de facto takeover late last year of Lebanon's third-largest city, Sidon. Their presence near Sidon enabled the PLO to play off rival local militias against each other and to strengthen its foothold in Lebanon. Amal militia leader Barri's recent efforts to negotiate a PLO withdrawal from the area have failed, and renewed fighting has broken out around Sidon. [REDACTED]

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The Return Continues

Palestinian fighters are returning to Lebanon through the country's numerous illegal ports. Before Syria sent troops to West Beirut last February, hundreds of Palestinians entered through Beirut International Airport. Most returning Palestinians now arrive by sea at Sidon, but many also enter Lebanon through the Druze port of Khaldah and the Christian port of Juniah, according to several reports. [REDACTED]

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Tactical alliances with some of the Lebanese militias—including the Christians—have facilitated the Palestinian resurgence. Most of those militias aid the Palestinians in exchange for money, others for both money and support against the Syrians. The pro-Iranian Hizballah has longstanding ties to Yasir Arafat, and the two cooperate particularly closely in Beirut's southern suburbs, the site of major Palestinian refugee camps and Hizballah's main stronghold. [REDACTED]

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Another Cycle of Violence

Israel has responded to the growing Palestinian presence with selective air and ground attacks against Palestinian targets throughout Lebanon—occasionally in Syrian-occupied areas. The airstrikes are not likely to dislodge the PLO fighters from southern Lebanon but may impede some of their operations. The Palestinians

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will react to Israeli strikes by mounting more attacks of their own, and by cooperating with Lebanese leftist militias and Hizballah in guerrilla operations in southern Lebanon. [REDACTED]

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The growth of Palestinian forces in southern Lebanon is frustrating Damascus, which has long sought to control Palestinian activities. Syria's reluctance to employ its own military forces, which would risk provoking Israel, has aided the reemergence of Arafat's power base near Sidon. The Amal militia—Syria's main ally against the PLO—remains unable to gain control of the refugee camps in West Beirut even after Syrian troops were deployed last February and is probably incapable of more than harassment of Arafat's supporters. [REDACTED]

Meanwhile, ongoing Syrian-PLO talks aimed at reconciliation are apparently going nowhere. Arafat is hoping that other Arab countries will close ranks behind the PLO at the coming Arab summit and put pressure on Damascus to ease its opposition to PLO activities in Lebanon. [REDACTED]

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Outlook

PLO military strength in southern Lebanon probably will continue to grow. Increased violence in the area is the most likely consequence. Major clashes between pro-Israeli forces and the Palestinians and their Lebanese allies would cloud international initiatives to resolve the Arab-Israeli conflict, causing moderate Arab leaders to back away from supporting US policy and to adopt a more conciliatory position toward Arafat. [REDACTED]

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Increased ties between Palestinian groups—including Abu Nidal—and Hizballah might result in coordinated and more effective attacks against Israel. Despite improvements in the effectiveness of the pro-Israeli Army of South Lebanon militia, other Lebanese militias acting together with the Palestinians could inflict serious damage on Israel's shield in southern Lebanon. [REDACTED]

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The rebirth of Palestinian influence aggravates Lebanon's severe political and social problems. Alliances with several Lebanese militias give the Palestinians an indirect voice in the national reconciliation process. The increased strength and the presence of extremist groups among the Palestinians in Lebanon will complicate further the already fragile 1988 presidential election process. [REDACTED]

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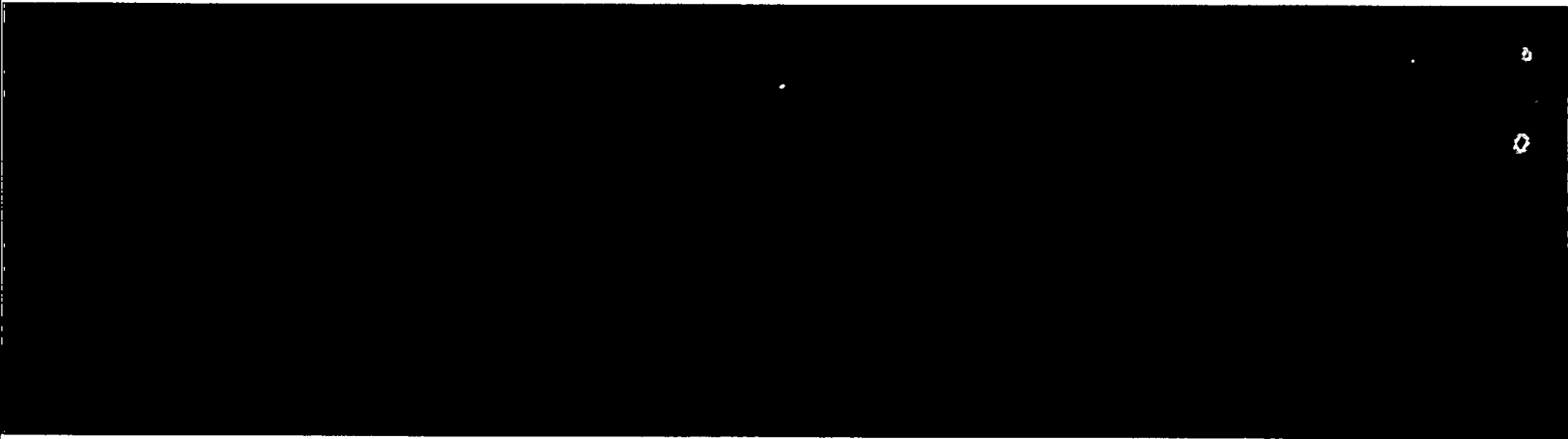
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